

NOV 30 2022

**SUBSTITUTE** 14

**MOTION**

Since 2018, the Council and Mayor have taken several actions to dispose of City-owned property and approve funding for the development of Casa de Rosas Apartments (Project) located at 2600 S. Hoover Street. The Project, to be rehabilitated by the Casa de Rosas Campus, L.P (Developer) will be comprised of 36 supportive housing units and one additional manager's unit. The Project has completed construction, but has encountered challenges related to the payment of prevailing wages. At this time, the contractor is seeking its final payment but the Los Angeles Housing Department (LAHD) is unable to disburse Proposition HHH funds as there is a case open with the State's Department of Industrial Relations (DIR) related to the payment of wages. LAHD seeks authority to provide a short-term bridge loan as a protective advance to protect its security for repayment of the Proposition HHH loan, and for the Project to convert to permanent financing and repayment in full of the Project's senior construction loan.

To support this Project, the City disposed of the site, authorized a related acquisition loan for \$2,562,674, awarded a Proposition HHH loan in the amount of \$7,920,000, and issued tax exempt bonds in the amount of \$10,771,000. LAHD now seeks authority to make a short-term Protected Advance Bridge Loan to the Developer of up to \$ 3,125,000 as a Protective Advance Bridge Loan. LAHD describes a Protective Advance as a loan made to protect the Project collateral and thus the City's investment of Proposition HHH dollars. Presently, the Project's construction loan will become due and payable in full on December 1, 2022. If a Protective Advance is not made at this time, the Project's construction lender, which has the Deed of Trust senior to the City's Proposition HHH and acquisition loans, may foreclose on the Project and potentially risk a full or partial loss of the City's existing funding, as well as the elimination of associated affordability restrictions for the Project.

It is expected that the Protective Advance funds will pay outstanding wages due to the contractor and subcontractors and to pay down the Project's construction lender to avoid foreclosure. In addition, the DIR has imposed fees related to Labor Code violations. The Developer is hopeful that they may persuade the DIR to waive the fees or clear up any misinterpretation and have the DIR remove the fees. If unsuccessful, the Developer may pursue payment by the General Contractor for these fees.

LAHD has informed that once the DIR wage issues are resolved, the Project can repay the Protective Advance with permanent financing including the still-unspent Proposition HHH monies. However, it remains unclear if the available permanent sources will be sufficient to fully repay the Protective Advance at time of conversion. An extension of the Protective Advance may be warranted at that time.

I THEREFORE MOVE that the City Council, subject to approval of the Mayor, authorize the General Manager of the Los Angeles Housing Department, or designee, to:

1. Effectuate a bridge loan of up to \$ 3,125,000 from the Low and Moderate Income Housing Fund (LMIHF) to Casa de Rosas Campus, L.P. for the Casa de Rosas Project located at 2600 S. Hoover Street subject the terms noted below, and cause these funds to be transferred to the appropriate accounts for the Project:

Amount	\$3,125,000
Term	Payable in full upon the earlier of (i) conversion to permanent financing, or (ii) twelve (12) months from execution of loan documents
Interest	3% per annum

2. Draft, negotiate, and execute loan documents to provide a bridge loan of up to \$3,125,000, subject to the approval of the City Attorney as to form;

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3. Prepare Controller Instructions, subject to the approval of the Chief Legislative Analyst;
4. Disburse LMIHF funds from the Protected Advance Bridge Loan upon review by LAHD and the City Attorney and a determination by LAHD, in its sole discretion, that disbursed funds will not be used to subsidize other project cost overruns and shall only be used to pay either (i) wages due to contractor or subcontractors who are not subject to fines or penalties imposed by DIR, or (ii) other appropriate costs that must be paid in order for the project to convert to permanent financing and fully repay the senior construction loan; and
5. Report within 60 days on the status of the protective advance repayment and resolution of the pending prevailing wage matters.

I FURTHER MOVE that the Controller be authorized to implement the instructions and expend funds upon receipt of proper demand by the General Manager of LAHD, or designee

PRESENTED BY: \_\_\_\_\_



CURREN D. PRICE, JR.  
Councilmember, 9th District

SECONDED BY: \_\_\_\_\_



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